

JUNE 30, 2006

QUARTERLY

ANSWER BOOK

UPDATE

REPLACEMENT PAGES

2, 3, 4, 5, 12, 13, 14, 25, 26, 27, 28, 39, 40 AND 41

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This Section states that “moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency.”

During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF’s enabling legislation. The Section states that “the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state’s failure to adopt a State Budget by July 1 of each new fiscal year.”

The LAIF has grown from 293 participants and \$468 million in 1977 to 2,635 participants and \$16.3 billion in 2006.

State Treasurer's Office
Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001
<http://www.treasurer.ca.gov/pmia-laif>

Board Members

Local Investment Advisory Board

Chairman: PHIL ANGELIDES
State Treasurer

Members: RUSS COCHRAN BRANSON
Finance Director/Treasurer
City of Roseville

MARTIN KRIEGER
Finance Director
Desert Water Agency

BYRON SCORDELIS
President
Greater Bay Bancorp

LESLIE WELLS
Managing Director
Hoefler & Arnett, Inc.

Pooled Money Investment Board

Chairman: PHIL ANGELIDES
State Treasurer

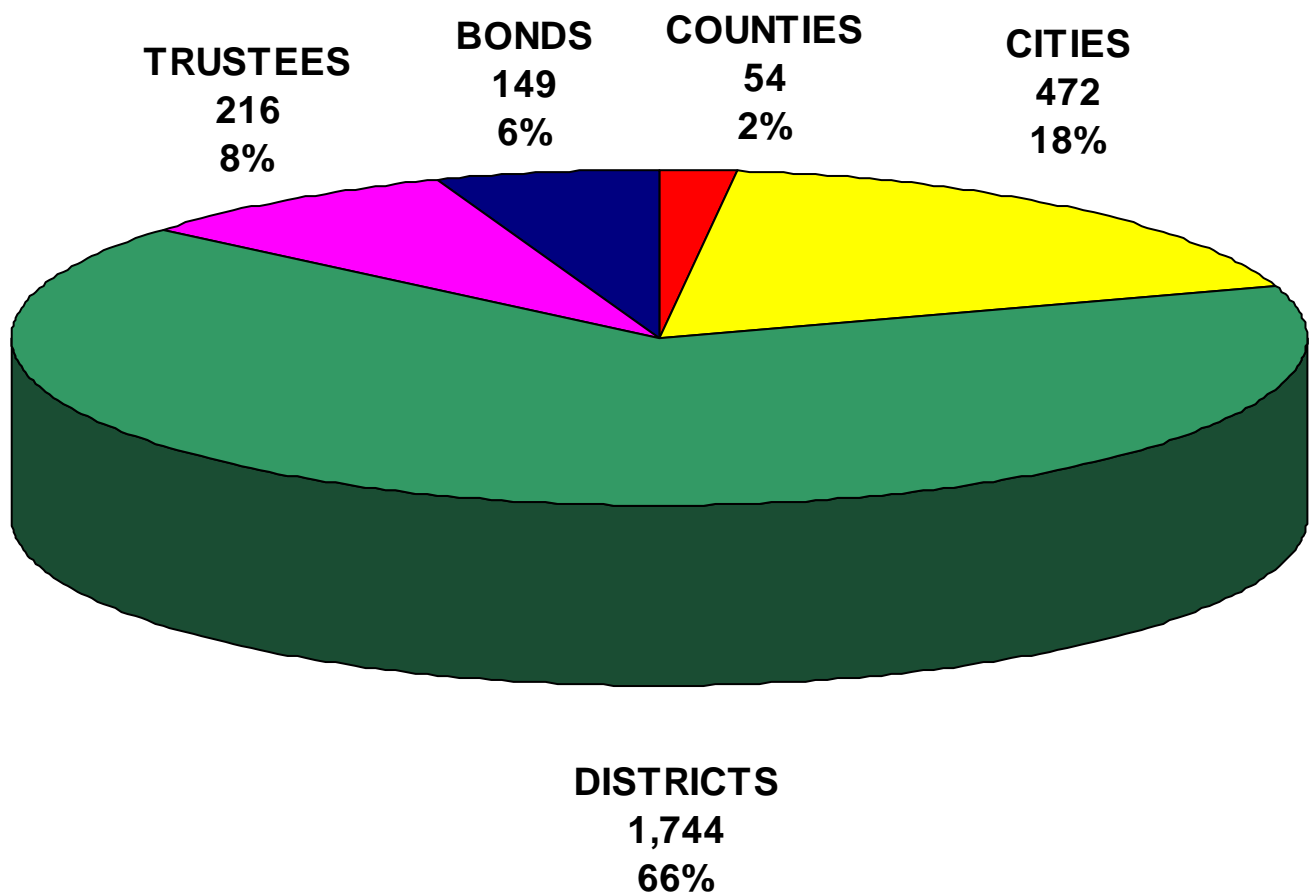
Members: STEVE WESTLY
State Controller

MICHAEL C. GENEST
Director of Finance

LOCAL AGENCY INVESTMENT FUND

Participation as of 6/30/06

2,635 Agencies



**PHIL ANGELIDES
TREASURER
STATE OF CALIFORNIA**

**INVESTMENT DIVISION SELECTED INVESTMENT DATA
ANALYSIS OF THE POOLED MONEY INVESTMENT ACCOUNT PORTFOLIO
(000 OMITTED)**

June 30, 2006			
<u>TYPE OF SECURITY</u>	AMOUNT	PERCENT	PERCENTAGE CHANGE FROM PRIOR MONTH
Government			
Bills	\$ 1,662,496	2.62	-0.18
Bonds	0	0	
Notes	1,596,680	2.52	-0.48
Strips	0	0	0
Total Governments	\$ 3,259,176	5.14	-0.66
Federal Agency Coupons	\$ 9,948,438	15.71	+0.32
Certificate of Deposits	13,642,402	21.54	+0.35
Bank Notes	1,135,045	1.79	-1.16
Bankers' Acceptances	0	0	0
Repurchases	0	0	0
Federal Agency Discount Notes	7,754,099	12.24	+1.58
Time Deposits	7,853,495	12.40	+0.11
GNMAs	242	0	0
Commerical Paper	11,751,579	18.56	-0.66
FHLMC/REMICS	673,737	1.06	-0.03
Corporate Bonds	910,665	1.44	+0.06
AB55 Loans	6,409,082	10.12	-0.22
GF Loans			
Reversed Repurchases			
Total (All Types)	\$ 63,337,960	100.00	

Average Life of Portfolio as of June 30, 2006 is 152 Days

State of California
Pooled Money Investment Account
Market Valuation
6/30/2006

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch. Amortized Cost		
United States Treasury:				
Bills	\$ 1,662,495,995.52	\$ 1,673,289,727.74	\$ 1,674,162,000.00	NA
Notes	\$ 1,596,679,932.76	\$ 1,594,322,350.78	\$ 1,589,416,000.00	\$ 7,569,078.00
Federal Agency:				
SBA	\$ 727,093,590.79	\$ 726,939,645.44	\$ 720,458,280.11	\$ 6,161,896.41
MBS	\$ 672,600,893.89	\$ 672,600,893.89	\$ 636,914,369.76	\$ 2,960,494.44
Bonds	\$ 9,221,343,951.25	\$ 9,221,210,062.56	\$ 9,169,684,153.43	\$ 95,836,971.72
Floater	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 7,754,098,732.06	\$ 7,800,364,908.42	\$ 7,799,951,500.00	NA
FHLMC PC	\$ 1,136,544.87	\$ 1,136,544.87	\$ 1,175,185.72	\$ 18,360.27
GNMA	\$ 242,240.43	\$ 242,240.43	\$ 265,732.09	\$ 2,411.35
Bankers Acceptances	\$ -	\$ -	\$ -	NA
Bank Notes	\$ 1,085,000,000.00	\$ 1,085,000,000.00	\$ 1,084,506,676.40	\$ 7,719,830.55
CDs	\$ 13,642,402,442.73	\$ 13,642,118,211.89	\$ 13,634,447,479.96	\$ 116,914,609.18
Commercial Paper	\$ 11,751,578,562.92	\$ 11,841,696,771.82	\$ 11,841,252,685.62	NA
Corporate:				
Floater	\$ 225,161,886.40	\$ 225,082,623.30	\$ 225,023,100.00	\$ 1,352,797.28
Bonds	\$ 735,547,875.76	\$ 734,845,438.04	\$ 726,425,561.25	\$ 11,796,413.84
Repurchase Agreements	\$ -	\$ -	\$ -	NA
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 7,853,495,000.00	\$ 7,853,495,000.00	\$ 7,853,495,000.00	NA
AB 55 & GF Loans	\$ 6,409,082,339.94	\$ 6,409,082,339.94	\$ 6,409,082,339.94	NA
TOTAL	\$ 63,337,959,989.32	\$ 63,481,426,759.12	\$ 63,366,260,064.28	\$ 250,332,863.04

Fair Value Including Accrued Interest \$ 63,616,592,927.32

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost **(.998185821)**. As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$19,963,716.41 or \$20,000,000.00 x .998185821.

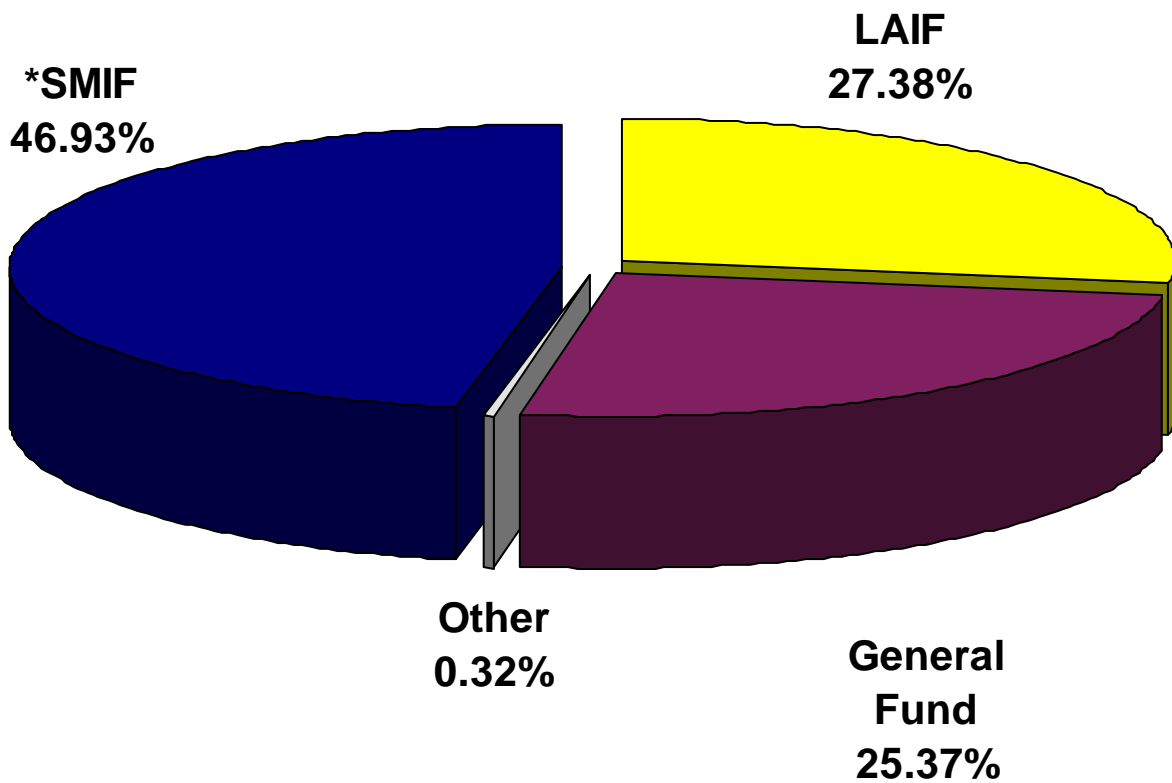
PAR VALUES MATURING BY DATE AND TYPE **Maturities in Millions of Dollars**

ITEM	1 day to 30 days	31 days to 60 days	61 days to 90 days	91 days to 120 days	121 days to 150 days	151 days to 180 days	181 days to 210 days	211 days to 270 days	271 days to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 year/out
TREASURY	\$ 350		\$ 350	\$ 600	\$ 100	\$ 1,200				\$ 700			
REPO													
TDs	\$ 2,275	\$ 1,782	\$ 1,720	\$ 704	\$ 525	\$ 847							
AGENCY	\$ 1,127	\$ 1,514	\$ 3,020	\$ 4,078	\$ 1,507	\$ 1,118	\$ 662	\$ 2,392	\$ 1,749	\$ 949	\$ 333	\$ 741	\$ 1
BAS													
CP	\$ 7,931	\$ 1,350	\$ 1,110	\$ 250	\$ 810	\$ 450							
CDs + BNs	\$ 4,265	\$ 3,300	\$ 2,120	\$ 2,942	\$ 450	\$ 1,650			\$ 50				
CORP BND	\$ 10	\$ 224	\$ 175	\$ 20	\$ 11	\$ 24	\$ 31	\$ 201	\$ 167	\$ 25	\$ 15		
TOTAL													
\$ 57,926	\$ 15,958	\$ 8,170	\$ 8,495	\$ 8,594	\$ 3,403	\$ 5,289	\$ 693	\$ 2,593	\$ 1,966	\$ 1,674	\$ 348	\$ 741	\$ 1
PERCENT	27.5%	14.1%	14.7%	14.8%	5.9%	9.1%	1.2%	4.5%	3.4%	2.9%	0.6%	1.3%	0.0%

Notes:

1. SBA Floating Rate Securities are represented at coupon change date.
2. Mortgages are represented at current book value.
3. Figures are rounded to the nearest million.
4. Does not include AB55 and General Fund loans

SOURCE OF FUNDS
Pooled Money Investment Account
Quarter Ending 6/30/06
Average Quarterly Balance
\$60.250 Billion



PMIA Average Monthly Effective Yields

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.390	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	11.480	12.017	11.798	10.206	9.870	9.945	10.056	10.426	10.961
1981	10.987	11.686	11.130	11.475	12.179	11.442	12.346	12.844	12.059	12.397	11.887	11.484
1982	11.683	12.044	11.835	11.773	12.270	11.994	12.235	11.909	11.151	11.111	10.704	10.401
1983	10.251	9.887	9.688	9.868	9.527	9.600	9.879	10.076	10.202	10.182	10.164	10.227
1984	10.312	10.280	10.382	10.594	10.843	11.119	11.355	11.557	11.597	11.681	11.474	11.024
1985	10.579	10.289	10.118	10.025	10.180	9.743	9.656	9.417	9.572	9.482	9.488	9.371
1986	9.252	9.090	8.958	8.621	8.369	8.225	8.141	7.844	7.512	7.586	7.432	7.439
1987	7.365	7.157	7.205	7.044	7.294	7.289	7.464	7.562	7.712	7.825	8.121	8.071
1988	8.078	8.050	7.945	7.940	7.815	7.929	8.089	8.245	8.341	8.397	8.467	8.563
1989	8.698	8.770	8.870	8.992	9.227	9.204	9.056	8.833	8.801	8.771	8.685	8.645
1990	8.571	8.538	8.506	8.497	8.531	8.538	8.517	8.382	8.333	8.321	8.269	8.279
1991	8.164	8.002	7.775	7.666	7.374	7.169	7.098	7.072	6.859	6.719	6.591	6.318
1992	6.122	5.863	5.680	5.692	5.379	5.323	5.235	4.958	4.760	4.730	4.659	4.647
1993	4.678	4.649	4.624	4.605	4.427	4.554	4.438	4.472	4.430	4.380	4.365	4.384
1994	4.359	4.176	4.248	4.333	4.434	4.623	4.823	4.989	5.106	5.243	5.380	5.528
1995	5.612	5.779	5.934	5.960	6.008	5.997	5.972	5.910	5.832	5.784	5.805	5.748
1996	5.698	5.643	5.557	5.538	5.502	5.548	5.587	5.566	5.601	5.601	5.599	5.574
1997	5.583	5.575	5.580	5.612	5.634	5.667	5.679	5.690	5.707	5.705	5.715	5.744
1998	5.742	5.720	5.680	5.672	5.673	5.671	5.652	5.652	5.639	5.557	5.492	5.374
1999	5.265	5.210	5.136	5.119	5.086	5.095	5.178	5.225	5.274	5.391	5.484	5.639
2000	5.760	5.824	5.851	6.014	6.190	6.349	6.443	6.505	6.502	6.517	6.538	6.535
2001	6.372	6.169	5.976	5.760	5.328	4.958	4.635	4.502	4.288	3.785	3.526	3.261
2002	3.068	2.967	2.861	2.845	2.740	2.687	2.714	2.594	2.604	2.487	2.301	2.201
2003	2.103	1.945	1.904	1.858	1.769	1.697	1.653	1.632	1.635	1.596	1.572	1.545
2004	1.528	1.440	1.474	1.445	1.426	1.469	1.604	1.672	1.771	1.890	2.003	2.134
2005	2.264	2.368	2.542	2.724	2.856	2.967	3.083	3.179	3.324	3.458	3.636	3.808
2006	3.955	4.043	4.142	4.305	4.563	4.700						

PMIA Average Annual Yields

Fiscal Year	Rates	Fiscal Year	Rates
71/72	4.880	89/90	8.655
72/73	5.550	90/91	8.013
73/74	8.970	91/92	6.196
74/75	8.620	92/93	4.707
75/76	6.370	93/94	4.387
76/77	5.870	94/95	5.532
77/78	6.700	95/96	5.706
78/79	8.520	96/97	5.599
79/80	10.540	97/98	5.699
80/81	10.780	98/99	5.344
81/82	12.070	99/00	5.708
82/83	10.450	00/01	6.104
83/84	10.408	01/02	3.445
84/85	10.715	02/03	2.152
85/86	9.081	03/04	1.532
86/87	7.435	04/05	2.256
87/88	7.874	05/06	3.873
88/89	8.669		

Local Agency Investment Fund Quarterly Apportionment Rates

	MARCH	JUNE	SEPTEMBER	DECEMBER
1977	5.68	5.78	5.84	6.45
1978	6.97	7.35	7.86	8.32
1979	8.81	9.10	9.26	10.06
1980	11.11	11.54	10.01	10.47
1981	11.23	11.68	12.40	11.91
1982	11.82	11.99	11.74	10.71
1983	9.87	9.64	10.04	10.18
1984	10.32	10.88	11.53	11.41
1985	10.32	9.98	9.54	9.43
1986	9.09	8.39	7.81	7.48
1987	7.24	7.21	7.54	7.97
1988	8.01	7.87	8.20	8.45
1989	8.76	9.13	8.87	8.68
1990	8.52	8.50	8.39	8.27
1991	7.97	7.38	7.00	6.52
1992	5.87	5.45	4.97	4.67
1993	4.64	4.51	4.44	4.36
1994	4.25	4.45	4.96	5.37
1995	5.76	5.98	5.89	5.76
1996	5.62	5.52	5.57	5.58
1997	5.56	5.63	5.68	5.71
1998	5.70	5.66	5.64	5.46
1999	5.19	5.08	5.21	5.49
2000	5.80	6.18	6.47	6.52
2001	6.16	5.32	4.47	3.52
2002	2.96	2.75	2.63	2.31
2003	1.98	1.77	1.63	1.56
2004	1.47	1.44	1.67	2.00
2005	2.38	2.85	3.18	3.63
2006	4.03	4.53		

Local Agency Investment Fund

Administrative Earnings (Cost)

QUARTER ENDING	PERCENTAGE OF EARNINGS (COST) ¹	EQUIVALENT BASIS POINT VALUE ²
03/31/98	0.24	1.4
06/30/98	0.16	0.9
09/30/98	0.08	0.5
12/31/98	0.24	1.3
03/31/99	0.23	1.2
06/30/99	0.32	1.6
09/30/99	0.20	1.1
12/31/99	0.22	1.2
03/31/00	0.22	1.3
06/30/00	0.28	1.7
09/30/00	0.20	1.3
12/31/00	0.20	1.3
03/31/01	0.18	1.1
06/30/01	0.21	1.1
09/30/01	0.21	0.9
12/31/01	0.31	1.1
03/31/02	0.34	1.0
06/30/02	0.35	1.0
09/30/02	0.44	1.2
12/31/02	0.47	1.1
03/31/03	0.46	0.9
06/30/03	0.32	0.6
09/30/03	0.50	0.8
12/31/03	0.47	0.7
03/31/04	0.47	0.7
06/30/04	0.47	0.7
09/30/04	0.45	0.8
12/31/04	0.49	1.0
03/31/05	0.37	0.9
06/30/05	0.24	0.7
09/30/05	0.35	1.1
12/31/05	0.29	1.0
03/31/06	0.24	1.0
06/30/06	0.13	0.6

The law provides that reimbursements cannot exceed one-half of 1 percent of the EARNINGS of the fund per quarter. Listed above is the percentage of earnings (cost) per quarter.

1: The percentage of administrative cost equals the total administrative cost divided by the quarterly interest earnings

2: The equivalent basis point value equals the gross quarterly yield minus the net quarterly yield

Disclosure Statement

Portfolio Holdings: Structured Notes, and Asset-Backed Securities

The Treasury Investment Division has received a number of inquiries concerning our various portfolio holdings. Questions involving structured notes, derivative products*, and asset-backed securities are the most notable.

In an effort to clarify the information provided in our monthly statements, we would like to share with you our investment positions in structured notes and asset-backed securities.

Following are the State of California Treasurer's holdings in each category as of June 30, 2006:

**** The Pooled Money Investment Account Portfolio has not invested in, nor will it invest in, Derivative Products as defined in FASB 133.***

1. Structured Notes

Structured notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association and the Federal Home Loan Bank System.

U.S. \$225.000 million As of: 06/30/06

2. Asset-Backed Securities

Asset-backed securities entitle the purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs), small business loans, or credit card receivables.

U.S. \$1,400.919 million As of: 06/30/06

Securities Accountability

1) Structured Notes

a. Callable Agency	\$ 00.000 million
b. 3 month LIBOR Agency Floater	\$ 00.000 million
c. 3 month LIBOR Corporate Floater	\$ 225.000 million
d. 2 year CMT Corporate Floater	\$ 00.000 million
e. 3 month T-Bill Agency Floater	\$ 00.000 million
f. 3 month T-Bill Corporate Floater	\$ 00.000 million

2) Asset-Backed

a. Small Business Administration Pools	\$ 726.940 million
b. Agency CMOs	\$ 672.601 million
c. GNMA Pools	\$ 0.242 million
d. FHLMC PC Pools	\$ 1.136 million

Total Portfolio As of: 06/30/06 \$63,337,959,989.32

Structured notes and Asset-backed securities as a percent of
portfolio: 2.567%